Iran
Agri-Food Country Profile
Statistical Overview

Forward

This information piece is provided to update the statistical information of existing documents on Iran. Due to recent economic developments an update was deemed necessary.

Background

The Islamic Republic of Iran is a growing market that maintains an important trade relationship with Canada. Although the country's economy has been struggling since the late 1980's and low oil prices more recently have compounded problems in other sectors, much progress has occurred in economic diversification, and social and ideological modernization. Governed by Islamic principles, confusion and contradiction may still exist due to the interplay between the pragmatic and ideological forces that affect government decision. However, the government has acknowledged this and is taking efforts to emerge as a valuable trading partner.

Demographics	(2001)
Total Population	66,128,965
Growth Rate	0.72%
Age Breakdown	
0-14 years	32.97%
15-64 years	62.38%
65 years and over	4.65%
Life Expectancy	
Total	69.95 years
Male	68.61 years
Female	71.37 years

Geography

Iran is located in a highly advantageous position in the Middle East, on the Persian Gulf, a vital maritime pathway. Its geographic position affords it good agricultural land in what is a relatively barren region. Iran shares borders with Iraq, Pakistan, the Gulf of Oman and the Caspian Sea.

Climatic zones vary from sub-polar to sub-tropical, allowing for a great diversity of agricultural production from tea and rice in the north, to tropical fruit on the southern shore and wheat and fruit in the central provinces. The summer (June-Aug.) is extremely hot with temperatures in the interior rising as high as 55 C. Winter (Dec.-Feb.) temperatures can fall to minus 30C in the north-west.

Main Cities	
Tehran	7 million
Mashhad	1.5 million
Esfahan	900,000
Tabriz	900,000
Shiraz	900,000

The capital, Tehran, is the country's largest city and the second most populous city in the Middle East. The second largest city in Iran is Mashhad, with Esfahan, Tabriz and Shiraz following closely behind in population numbers. All of these cities are major manufacturing centers, especially Esfahan, where many of Iran's heavy industries are concentrated. Iran is becoming increasingly urbanized, and has roughly 30 cities with populations exceeding 100,000.

Natural hazards include periodic dust and sand storms, droughts and floods. Periodic earthquakes occur along the western border and in the northeast.

Iran is rich in a variety of natural resources, including petroleum, natural gas, coal, chromium, copper, iron ore, lead, maganese, zinc and sulfur. Nonetheless, the mining sector is relatively underdeveloped.

Economy

Although traditionally an agricultural society, Iran has achieved significant industrialization and economic modernization in the past 20 years. The economy is a mixture of central planning and private ownership, with the state controlling the oil industry and other large enterprises. The government controls the economy through five-year plans. Small scale private trading and service ventures also exits along with subsistence agriculture.

Economic Indicators	
GDP	US$ 413 billion (2000)
GDP Growth	3% (2000)
GDP per capita	US$ 6,300 (2000)
GDP by Sector	
Agriculture	24%
Industry	28%
Services	48%

Recent market reform plans have focused on the diversification of Iran's oil reliant economy. Fluctuations in oil prices can have a drastic effect on the economy as 90% of Iran's export dollars are from oil and oil products. A 14.1% drop in world oil prices from 2000 to 2001 had a significant affect on Iran's economy. More than 80% of Iran's hard-currency earnings and 50% of its gross revenue depend on oil and a significant decrease in oil prices, like the one in 2000, has impeded debt repayment .

With the upswing of oil prices until 2001, the government has been able to begin paying debts and contributing to current expenses, such as US$11 billion towards subsidies for basic goods such as fuel, bread and medicine.

In Iran, the industrial sector is heavily dependent on imported raw materials to maintain its productivity. The industrial sector is further plagued by low labour productivity, lack of foreign exchange, and shortages of spare parts for its varied and often outdated, machinery.

In 2001, the main industries were petroleum, petrochemicals, textiles, cement, construction materials, food processing (particularly sugar refining and vegetable oil production), metal fabricating, and armaments.

A more recent positive for Iran's goal of diversifying their economy is shown through the non-industrial GDP growth rate of 1999, a period of elevated world oil prices. The rate was higher than that experienced by the economy as a whole. This is a sign to the government that their reforms are moving in the right direction.

Labour Force	
Total	17.3 million
Unemployment Rate	14%
By Sector	
Agriculture	25%
Manufacturing & mines	22%
Services	39%
Oil & Gas	14%

While Iran boasts a productive labour force most sectors have reported shortages of skilled managers. With 50% of the population below 20 and over a million people entering the labour force every year this problem may be compounded in the near future.

Consumer Market

A young and economically active population and increases in disposable income are expected to substantially increase the demand for food over the medium to long-term, and should lead to diversification in agricultural imports.

Iran's population is increasingly urbanized, with 65% living in larger cities, the remainder is divided into market-town, village, and tribal groupings. Clerics or *mullahs* dominate nearly all aspects of Iranian life, both urban and rural.

While early efforts to modernize the retail sector in Iran have provided the country with more modern stores, the urban bazaar has historically been the heart of the Iranian town. In most towns

the bazaar is central and generally covers a large area with small shops grouped by service or product.

Brand recognition and advertising will continue to be a problem for imported products in Iran as a number of forms of advertising are banned in the country. Also, the government is very firm on what products can and cannot be sold to their citizens. For example, women's cosmetics are banned. Additionally, the Iranian government does not allow the consumption or importation of alcohol into the country. Even foreign business people are not given permission to import alcohol into the country for personal use.

Agriculture

Despite the obvious dominance of oil, agriculture has always been a key economic contributor and employer in Iran. However, the sector continues to struggle with self-sufficiency and as a result the country is one of the world's largest net importers of agricultural products. In an effort to reduce dependence on imports and improve the economy as a whole the government is increasingly focused on the agricultural sector as an important part of the country's economic diversification. Improving the sector's productivity is a high priority.

Despite perceptions, only 20% of Iran's total land area is classified as desert, the remaining area is made up of natural range land, forest, and roughly 20% arable land. Therefore, the major constraint to the development of agriculture is not the availability of land, rather the availability of water. Only 10% of the country receives adequate rainfall for agriculture, and the water shortage is intensified by seasonal rainfalls which last between October and March. Once the rainy season ends, the land remains parched for the rest of the year. Only one-third of the land surface receives rainfall of more than 250 mm annually, while the heavy winter snowfall in the mountains provides a reservoir of water for irrigating spring crops.

The regions adjacent to Lake Urmia and the Caspian Sea comprise just 25% of Iran's land area, but produce 60% or more of the country's crops. Permanent crops comprise 1% of Iran's total land area and a further 27% is used as permanent pastures. A significant 33% of the labour force is employed in the sector.

Although sugar beet and sugar cane are the main industrial crops, due to the large number of subsistence farmers, Iranian farms primarily produce grains such as wheat, rice, and barley. Other major agricultural products include fruits, nuts, cotton, dairy products, wool and caviar. Iran has had some success becoming self-sufficient in the production of some fruits, vegetables, and livestock. Livestock raising methods in Iran are generally unsophisticated. Nomadic tribesmen support a few animals as a sideline to farming.

Iran has undertaken initiatives to move away from subsistence agriculture and achieve modernization. These include dam building, subsidization of irrigation and more governmental transparency. In early 2002, the key issue is how rapidly the country should open itself to the modernizing influences of the outside world.

The government's last three Five Year Development Plans helped liberalize production and marketing in the sector, allocated foreign exchange at a preferential rate for the import of agricultural machinery and continued to pay subsidies on domestic production. The current plan, ending in 2005, has stated that agriculture will be the main axis of the economic activity. Yet, at present and despite government efforts, Iran remains a net importer of foodstuffs. One possible solution is a plan for significant land reform. However, this remains an area of considerable dissension within the current regime.

In line with its goal of land reform, the Minister of Agriculture has been urging peasants to consolidate their small, scattered plots and to form rural production cooperatives (RPC's). Optimally, each RPC will cover 2,000 to 92,500 hectares of land and employ 200 to 250 farmers, who will

maintain their individual ownership. While the movement towards RPC's has been slow, it is estimated that by 2022 almost all of Iran's farms will consist of RPC's or large commercial farms.

Despite the importance placed on agriculture, problems plaguing the sector's development remain, including shortages of water, inefficient irrigation, outdated farm machinery, lack of raw materials, and the common practice of subsistence farming. The government has made some progress in developing the sector including the vast improvement of rural infrastructure, such as bringing electricity to rural communities and road building, but the task is far from over.

The high cost of local farming is also a problem facing the sector. This problem is not as easily solved as it is directly attributed to the expense of water. The government heavily subsidizes delivered water for irrigation but suspects that high subsidization of the cost of water is a deterrent to its efficient use. As a result, only about 50% of cultivated land is equipped with full or partial control irrigation. By far, the largest proportion of irrigated land is for wheat, encompassing almost one-third of total irrigation followed by fruit trees on one-fifth of the total area.

The cost of producing wheat in Iran is far more expensive than importing it, but the government is highly supportive of local wheat farming because it wants to reduce the country's dependence on imports and enhance food security. As a result, the government chooses to produce up to 70% of Iran's wheat needs. While local production of wheat has increased from approximately 7 million tonnes in 1989 to 10.5 million tonnes in 1997, and other crops such as rice, potato vegetable and fruit production had gains of 30-50% in the same period, Iran's balance of trade in agricultural products still shows a deficit of $700 million. Currently, Iran imports 30-50% of their food requirements. While the government has initiated reforms in an attempt to lower this number, change has yet to occur. Apart from oil, which generates 90 of Iran's export revenue, carpets, fruits, nuts and hides are Iran's largest exports.

Trade

Despite its somewhat political marginalization by the United States, Iran continues to maintain many trade relationships with nations outside the Middle East. With oil as a main export, trade tends to be favorable for Iran. In 2001, Iran exported US$21.7 billion worth of goods, while importing only US$16.8 billion, resulting in a trade surplus of US$4.9 billion.

The county's main exports are petroleum (at 80%), carpets, fruits, nuts, hides, iron and steel. Iran's principal export destinations are as follow: Japan 20.4%; Italy 9.0%; Korea 7.5%; China 6.5%; and Singapore 5.4%.

Iran's primary imports are machinery, military supplies, metal works, foodstuffs, pharmaceuticals, technical services, and refined oil products. Iran's principal import sources in 2000 were Germany with 10.9%, Korea 7.7%, Italy 5.8%, China 5.8%, and France 5.5%.

Iran's agricultural imports are controlled and continue to be controlled by the government. The Government Trading Corporation (GTC) imports and subsidizes major foodstuffs including wheat, sugar, edible oil, rice and fertilizer. It appears Iran will maintain its guaranteed purchase price program, which had been scheduled to be discontinued at the end of the Second Plan.

Trade Agreements

Iran's "Islamic foreign policy" emphasizes support for Muslims globally as well as increasing diplomatic contacts with developing countries. Iran's regional goals are to establish a leadership role in the Middle East, build trade ties and diminish the presence of outside powers in the region. Syria continues to be a significant trade ally to Iran.

Iran maintains diplomatic and commercial relations with Russia and other former Soviet states. Both Iran and Russia agree that their national interest is best served if more development occurs in Central Asia and the Trascaucasus regions.

Much progress has been made in relations between Iraq and Iran since 1990, and the two countries continue to negotiate agreements concerning border demarcation and freedom of navigation.

Iran is affiliated with the following international organizations:

Economic Co-operation Organization (Iran, Pakistan and Turkey), Inter-Parliamentary Union, International Chamber of Commerce (ICC), Non-Aligned Movement, Organization of the Islamic Conference (OIC), Organization of Petroleum Exporting Countries (OPEC), United Nations (UN), Economic and Social Commission for Asia and the Pacific (ESCAP), Food and Agriculture Organization (FAO), International Atomic Energy Authority (IAEA), International Bank for Reconstruction and Development (IBRD), International Civil Aviation Organization (ICAO), International Development Association (IDA), International Finance Corporation (IFC), International Fund for Agricultural Development (IFAD), International Labour Organization (ILO), International Maritime Organization (IMO), International Monetary Fund (IMF), International Telecommunication Union (ITU), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Industrial Development Organization (UNIDO), Universal Postal Union (UPU), World Health Organization (WHO), World Meteorological Organization (WMO), G-19, G-24, G-77.

Market Access

While Iran has the potential to be a great trading partner, the fact remains that this nation is one that has not been overly exposed to the capitalism that is prevalent in North America and the government does not wish for that level of exposure. However, the government is eager to begin outside relationships in a continuous effort to modernize the country.

Many opportunities for trade exist in Iran, but interested companies must be prepared to accept a higher level of risk than would be evident in other countries. Import barriers to Iran exist to reinforce Islamic law. Prohibited items include alcohol, pork, narcotics, guns and ammunition, aerial cameras, radio transmitters and "indecent" media such as art books and fashion magazines. Also prohibited for import are cosmetics and toiletries.

Import permits are necessary and acquiring a permit is a complicated process. In order for an Iranian company to be allotted an import permit, the product imported must be of strategic importance (e.g. Wheat, edible oil, animal feed) or be unavailable in Iran (e.g. a specific technology or machinery). Once the foreign currency allocation is established and an import is received, a letter of credit can be obtained through the Central Bank of Iran or one of its commercial banks. Usually, the Canadian Export Development Corporation, will consider insurance on such letter of credit on a case-by-case basis. Also, some Canadian banks offer refinancing on Iranian letters of credit.

For the government, food security is a major issue. As a country who cannot produce more than 50-70% of what it needs to survive, there are extensive opportunities for companies who can establish a sustainable scheme that will provide Iran with added food security.

Canada - Iran Trade and Investment

With a population of almost 70 million, huge oil reserves and a very strong agricultural capability, Iran is expected to become an economic leader in the region. Trade missions between Canada and Iran have emphasized the following agricultural products as key opportunities for the Canadian exporter: grain and oilseeds, livestock feed, processing technology and farm machinery.

Canadian firms can and are doing business in Iran In fact, Canada is Iran's major supplier of wheat, supplying over 60% of annual wheat imports in recent years.

Other opportunities for Canadian companies include trade in livestock genetics, including breeding stock, semen and embryos. Also, there exists a demand for new healthful foods, nutraceuticals and halal meat (see report on halal foods at http://ats.agr.ca.) There is also a demand for agricultural expertise and consulting management, for technology and equipment for food processing, packing, and quality control. Also, technology and equipment related to the handling, storing and transporting of food products as well as technology and equipment related to waste management, pollution cleanup and prevention are in demand. Further needs include technology and equipment for mining, petroleum/gas and natural resource management.

Iranian business people are very keen to find Canadian suppliers for commodities, livestock feed, and certain types of technology and equipment. Although there is little potential for Canadian value-added agri-food products at present, it is not due to a lack of market demand, but more to import restrictions and poor local processing capabilities.

While many trade opportunities exist in other sectors, at present Canadian agriculture and agri-food exports are centered around bulk commodities, namely wheat. This sector provides the most vast opportunity for Canadian exporters. Bovine semen and animal feed are the next most important export items to Iran. In all, it appears Iran's weaknesses are Canadian strengths, creating a highly-beneficial trade opportunity for Canadian companies.

Canadian agricultural exports to Iran were valued at $427.3 million in 2001. The leading agricultural export was wheat, with a value of $410.4 million or 96% of the total. Barley followed, with a value of $12 million. Poultry feed raised $1.9 million, canola oil with $1.2 million, with bovine semen at $900,000. The top five exports made up more than 99% of the total exports to Iran.

Canadian bulk products constitute the majority of exports to Iran with a total of $ 426.5 million, with $3.3 million in intermediate and $22,000 in consumer exports. Intermediate exports are down $15 million from 2000.

Approximately 49% of Canadian agricultural exports to Iran in 2001 were from Saskatchewan. Alberta and Manitoba combined for 50% of the agri-food exports to Iran. Iran's major exports to Canada include oil, hand woven carpets and other handicrafts, and agri-food products including dates, raisins, and pistachios.

Total Canadian agricultural imports from Iran in 2001 were valued at $23 million. Pistachios were the leading import, making up 38% of the total with a value of $ 8.8 million. Dried grapes followed at 37% or $ 8.7 million, followed by dates at $2.9 million.

While most provinces receive agri-food imports from Iran, the overwhelming majority of the imports went to Ontario, British Columbia and Quebec. Ontario receives 68%, B.C. 17%, and Quebec 13% of all agri-food imports from Iran.

Iran - Canada Bilateral Trade	
Iran Total **Exports**	US$25 billion (2000)
Imports	US$15 billion (2000)
Trade Balance	US$10 billion (2000)
Total Canadian **Exports** to Iran	$655,804,000 (2000)
Imports from Iran	$122,684,000 (2000)
Trade Balance	$533,120,000(2000)
Canadian Agricultural **Exports** to Iran	$427,296,067(2001)
Imports from Iran	$23,032,975(2001)
Trade Balance	$404,263,092